

Address to the Waukesha County Medical Society
September 4, 2002
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Subject: **The High Cost of Medical Care in Wisconsin**

Tonight we will explore the causes behind the escalating costs of providing medical care in our state and also suggest the solutions to the problem

The increasing cost of health care can most likely be found among these areas:

1. Pharmaceutical companies
2. Physicians
3. Market dominating health organizations
4. Hospital Over-Construction

Lets explore these areas and their effect...

- I. Pharmaceutical Companies that consistently advertise their latest and newest drugs directly to the public for things like hypertension, allergies, acid reflux and birth control causes patient frenzy and subsequent demands to have these drugs even before physicians have the information or an opportunity to familiarize themselves with the value of the drugs.
- II. Physicians Income... I personally doubt that this plays a significant role. My income for one has decreased. The costs at my institution, Medical Associates, have increased at a rate of less than 3 to 4 percent per year. In my view this is within the range of normal and reasonable.

However, medical reimbursement to Wisconsin doctors is at a lower rate than surrounding states and the Midwest is lower than the East, West, Florida, Texas or Arizona and has even been reduced by 5.14% in 2002. We also expect a decrease of 15% over the next five years. Twenty to thirty percent of our practices are made up of Medicare, Medicaid and Title 19 patients. We are familiar with the losses associated with these billings. How can we possibly care for these patients when every visit is at an income loss in comparison to the actual cost of the visit?

The outcome is that these losses drive up the cost to the private payer to balance the budgets.

In turn, the failure of our Legislature to provide protection from these costs compounds the problem both statewide and nationally.

III & IV Market Dominating Health Organizations and Hospital Over-Construction have a direct impact on costs. Lets examine how .

1. Is it correct for a hospital based entity to own 100 pharmacies in Southeastern Wisconsin purchased with tax-free dollars? This real estate is also exempt from property taxes, and not subject to any income tax because of being sheltered under the umbrella of the tax free status of the non-profit hospital? Isn't this also a form of a monopoly?

2. Is it correct to build 13 new hospitals in areas that already have hospitals? It is done ...

- a. because of the availability of cash flow from the tax free income status
- b. to draw cardiac patients to these hospitals with potential profits in the range of \$60,000 per case.
- c. And with this overbuilding, such an entity's debt burden requires a 40% increase in patient cost per day .

3. Does the areas serving Waukesha County need four cardiac service centers? It has been projected that probably two of these will fail due to over building. However, one of these, owned by cardiologists and cardiac surgeons, will be a 'for profit center' which will assure that it will earn money.

4. Is it correct for the tax supported University of Wisconsin Medical School to purchase *Physicians Plus*, that is 200 physicians and all of their real estate with tax free money and state money allotted to support the school? A note on this subject: the first item on their first agenda was "How do we transfer this newly acquired real estate to tax free status by getting it under the 'not for profit hospital' umbrella?"

Also the newly acquired 200 physicians now are 'State Employees' and no longer fall under the legal practice laws that all the rest of us do. They are covered under the unfair legislation that says they have only a six month exposure to malpractice suits while the rest of us are exposed for three years. It also means that they come under the \$250,000.00 cap for liability. The rest of us have to pay private practice insurance and are exposed to \$350,000.00 of non-economic damages, one million of individual and three million aggregate of economic damages. What is real here is that at this point the PIC compensation fund could be penetrated so it really is exposure to infinity. This is not true for state employees. Is this fair?

WHAT ARE THE ANSWERS?

1. Do we go on strike as the physicians did in Las Vegas? They shut down their level I trauma center to draw attention to this problem. Some surgeons pay \$200,000.00 per year for insurance coverage. I ask you, does this impact health care costs? In Florida some women have to travel 1 to 3 hundred miles to deliver their babies with an OB-GYN because the cost of insurance has driven so many physicians out of practice. Some insurance companies are even closing their doors totally, in some states, so there is no insurance availability.

Well, we don't go on strike but we do need relief. Neither the patients nor the doctors are winners. Only the lawyers like Jesse James & Company are winners because they can file against the private physicians for three years reaching into the infinity pay pocket I described earlier. This lends itself to high malpractice insurance costs for those of us in private practice.

Contrast this to the state employed physicians who are sheltered with only 6 months exposure to liability. The proof of this is that 6 cases per month go to Jesse James and Company and are thrown out because the limit of 6 months has elapsed. End of liability ... so their insurance companies are the winners.

2. We don't want to go back to certificates of need. That's like aiming at a horse fly with a shot gun. It harms individual effort and does nothing to control the big hitters.

Our patients point to their rights to “ Life, Liberty and the pursuit of Health Care” which drives costs dramatically. Some people think that everything must be attended to by a physician immediately. They over use emergency facilities many times.

Actually, only six percent of the population suffer from chronic and catastrophic illnesses which consume 57% of the funds for health care. Also, 75% of medical costs are spent in the last six months of life. Real illness is costly.

But we should note too that while costs have increased, heart disease death rates have decreased nationally from 181 cases per 100,000 population to 122 . In Wisconsin the statistics are even better. The death rate from heart disease has decreased from 180 per 100,000 to 92 per 100,000 population. So the money is generally well spent.

The problems of escalating health costs are real. The fact that these increases are going to be passed on to patients’ co pay, will drive the population to ask for universal health care coverage. If you are happy with socialized medicine, where we stand in line for common hernia surgery or like the Canadians who come across the border for timely heart operations, we can continue as we are going.

We must be leaders. Real leaders are not loved by all, but are respected for what they do. They make hard choices.

You can help by being realistic and asking our Legislators to pass laws that make sense but may not be entirely popular. Here are some suggestions

1. Motor cycle helmets to prevent head injuries
2. Physicians...Teach patients common preventive care and tell them that every twisted ankle does not need an x-ray, for example
3. Legislators should get the lawyers away from filing unreasonable malpractice suites by limiting the attorneys’ share.
4. Take away the tax loop hole that has created greed by hospitals. Force hospitals to pay taxes on income from their investments in businesses that they are sheltering under their ‘not for profit’ status. Here’s an eye opener for you: Sixty-five percent of the taxable real estate in the city of La Crosse is now owned by hospitals, churches, and not for profit clinics creating an income crisis for the city.

Historically the ‘not for profit’ status was given to hospitals so that they could

1. Maintain and care for their equipment and buildings
2. Provide competitive wages for their employees
3. Do Charity work
4. Use any profits to lower hospital costs.

We know the facts and must face them so we can begin the process of change. We must all share in this process if we are to lower costs for health care for our patients and ourselves. As recently as last Sunday the Journal/Sentinel quoted Representative Tom Barrett as saying “ a long over due review of the state’s \$3.5 billion in annual property and sales tax exemptions need to be reviewed”

A Challenge to you. Be Leaders! Make creative corrections to level the playing field in health care delivery and in the process lower the costs of health care.